

# SFDR disclosures on sustainability risks and remuneration policy

This statement is made in accordance with the EU Disclosure Regulation (2019/2088) regarding sustainability-related disclosures in the financial sector (the “SFDR”).

Any reference to “ESG” below is a reference to environmental, social and governance factors. Any reference to articles below is a reference to articles in the SFDR.

Credo investment philosophy is to partner with investors and founders to transform mid-sized companies into scalable and sustainable business systems. Sustainability is an integral part of Credo's investment philosophy. We truly believe that sustainable business models with positive contributions to society will build more financial value. And we believe Credo will have the biggest impact by focusing on positive change in our companies, rather than just allocating capital to already perfectly sustainable businesses. We look for company owners and management with an honest commitment to prioritize climate change, to treat employees well and to govern in a compliant and transparent way.

## **Sustainability Risks – article 3**

Credo integrates sustainability risks and opportunities in our investment decision-making process in accordance with our Responsible Investment Policy. We use the United Nation’s Sustainable Development Goals (“UN SDGs”) as basis for assessing risks and opportunities in screening investments, due diligence and driving positive change.

## **Remuneration Policy – article 5**

Credo’s Remuneration Policy requires that compliance with Credo’s Responsible Investment Policy is included in employees’ performance objectives and when assessing remuneration.

# No consideration of adverse impacts of investment decisions on sustainability factors

Credo does not consider any adverse impacts of its investment decisions on sustainability factors. The reason for this is that it considers its existing ESG policies and procedures to be appropriate, proportional and tailored to the investment strategies of its funds. Credo does not collect all information needed from its portfolio companies in order to disclose adverse impacts on investment decisions in full. Credo intends to make a new assessment in due course.

# Sustainability-related Disclosures

This statement is made in accordance with articles 8 and 10 of the EU Disclosure Regulation (2019/2088) regarding sustainability-related disclosures in the financial sector (the “SFDR”).

Any reference to “ESG” below is a reference to environmental, social and governance factors.

## Credo II Fund

### *Summary*

Credo II promotes, among other characteristics, environmental and social characteristics in accordance with article 8 of the SFDR.

The fund follows Credo's investment strategy of transforming mid-sized companies into scalable and sustainable business systems, with a particular focus on positive impact on UN SDGs. In addition, Credo's applies a model for good governance which is an essential component in the portfolio companies' value creation.

Credo identifies ESG risks and opportunities for each investment opportunity as part of the initial due diligence before making an investment.

The environmental and social characteristics are measured through a set of predefined KPIs for our portfolio companies. We collect data on an annual basis from our portfolio companies.

Each portfolio company shall have an ESG related policy, serving the company's specific needs and stating at least Credo's minimum requirements. Credo encourages the portfolio companies to promote adherence to the minimum requirements throughout their supply chain. Credo requires the board of every portfolio company to ensure compliance with its ESG related policy.

For a Norwegian translation of the summary, please [click here](#).

### *No sustainable investment objective*

This financial product promotes environmental or social characteristics, but does not have as its objective sustainable investment..

### *Environmental or social characteristics of the financial product*

The Credo II fund follows Credo's investment strategy of transforming mid-sized companies into scalable and sustainable business systems, with a particular focus on positive impact on UN SDGs 5, 8, 12 and 13.

The fund's sustainability characteristics are met through:

- Including ESG risks and opportunities in investment screening
- Pre-investment ESG due diligence and assessment of company specific ESG opportunities
- The board of directors in each portfolio company being responsible for implementation of Credo's minimum responsible investment requirements, including:

- Compliance with relevant local and international environmental conventions and legislations.
- Fair treatment of all employees and contractors including respect for international labor and human rights standards, safe and healthy working conditions, avoidance of discrimination or harassment, responsible labor management and no tolerance for child labor.
- Compliance with relevant anti-corruption laws and regulations.
- High standards of business ethics and work against corruption in all its forms, including extortion and bribery.
- Compliance with applicable antitrust and competition laws.
- Each portfolio company shall commit to contributing substantially to at least two UN SDGs.
- At least annual reporting to investors on ESG progress

### *Investment strategy*

Credo intends to contribute to the global sustainability agenda by making a positive impact on each company we invest in, rather than just allocating capital to already sustainable businesses. Our core beliefs with regard to sustainability are:

- Profitable and growing companies play a key role in creating a sustainable future.
- We can create competitiveness and financial value by making better use of resources, and therefore focus on the following four of UN SDGs;
  - Energy, i.e. stop climate change (SDG 13)
  - Raw material, i.e. responsible consumption and production (SDG 12)
  - People, equality and diversity as well as sustainable economic growth (SDG 5 and 8)
- Focusing on a limited number of specific sustainability goals in each portfolio company will have the biggest impact on the overall sustainability agenda.

Our key ESG strategy summarized:

- Create tangible, significant, positive change in every company
- Focus on select few goals with substantial impact potential
- Leverage positive impact to drive financial returns
- 4 Prioritized sustainable development goals (SDGs 5, 8, 12 and 13)

Credo's model for good governance is an essential component in the portfolio companies' value creation. The board of directors of each portfolio company is responsible for defining and implementing strategies and policies, also in respect of ESG matters. Its role thus includes establishing sound environmental and social standards that correspond with the minimum ESG requirements set by Credo. Credo supports the board of directors by providing guidance and tools. While there may be a conflict between short-term profitability and compliance with this policy, Credo believes there is a strong correlation between long term profitability and socially and environmentally responsible business practices. In addition, Credo has integrated reporting on ESG and sustainability goals into the overall portfolio reporting.

### *Proportion of investments*

The intention is that most of the investments will be aligned against one or more of the environmental and/or social characteristics mentioned above. The investment policy does not include a minimum proportion.

#### *Monitoring of environmental or social characteristics*

The environmental and social characteristics are measured through a set of predefined KPIs for our portfolio companies. We collect data on an annual basis from our portfolio companies based on questionnaires that are sent out to the portfolio companies. The data is compiled in an annual report provided to our investors and published on our website. Credo monitors the development in the KPIs, which provide basis for managerial decisions.

#### *Methodologies for environmental or social characteristics*

To measure environmental impact in our portfolio companies, we calculate for example climate footprint, including scope 1, 2 and 3 emissions, following the Greenhouse Gas Protocol (GHGP). We have partnered with third party service provider Normative to calculate emissions based on company-specific activity data and corresponding emissions data.

We provide questionnaires to the portfolio companies to monitor social and governance KPIs.

#### *Data sourcing and processing*

The data is first collected from the portfolio companies through third party service providers Normative and SHE Index. Secondly, the data is processed by the mentioned service providers and Credo. No proportion of the data is estimated.

#### *Limitations to methodologies and data*

We have so far not encountered any material limitations to methodologies and data sources.

#### *Due diligence*

Credo identifies ESG risks and opportunities for each investment opportunity as part of the initial due diligence before making an investment. External ESG advisors are appointed to perform ESG due diligence. The due diligence is reviewed by the Credo deal team. Finally, an external service provider controls that due diligence have been performed in accordance with the investment policy.

#### *Engagement policies*

Each portfolio company shall have an ESG related policy, serving the company's specific needs and stating at least Credo's minimum requirements. Credo encourages the portfolio companies to promote adherence to the minimum requirements throughout their supply chain. Credo requires the board of every portfolio company to ensure compliance with its ESG related policy. This shall be done at least annually, at one of the company's board meetings.

Published on 20 October 2021.

Update published on 20 October 2022.